



STATE OF NEW JERSEY
DEPARTMENT OF LAW & PUBLIC SAFETY
DIVISION OF CONSUMER AFFAIRS
STATE REAL ESTATE APPRAISER BOARD

In the Matter of:

JOHN G. RINALDI

CONSENT ORDER

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This matter was opened before the New Jersey State Real Estate Appraiser Board (the "Board") upon the Board's receipt of a complaint from Chase Home Lending regarding an appraisal report that respondent John G. Rinaldi prepared on a triplex property located at 36 South Bellevue Avenue, Atlantic City, New Jersey (the "subject property"), dated May 15, 2007. Respondent appraised the property to have a market value of \$590,000 in his May 15, 2007 appraisal (the "May 2007 appraisal").

During the course of its investigation of this matter, the Board expanded its investigation to include consideration of a previous appraisal that respondent prepared on the very same property dated November 14, 2006 (the "November 2006 appraisal"). Respondent appraised the property to have a market value of \$490,000 in his November 2006 appraisal.

The Board has considered available information concerning both appraisal reports, to include testimony that was offered by respondent when he appeared for investigative hearings before the

Board on January 26, 2010 and on March 22, 2011. Respondent has been represented in this proceeding by Alexander Rinaldi, Esq.

The Board finds that respondent prepared both appraisal reports on the subject property in a grossly negligent manner, and violated numerous provisions of the Uniform Standards of Professional Appraisal Practice (the "USPAP") when preparing both reports, to include, in both instances, violations of Standards Rules 1-1(a), 1-1(b), 1-1(c), 1-3(a), 1-4(a), 1-4(b), 1-4(c) and 1-5(a). In both instances, respondent failed to report a listing of the subject property, with an original list date of June 7, 2006 for \$450,000, which listing expired, at \$499,000, after the property was on the market for 208 days. Additionally, although respondent testified when appearing before the Board that the primary reason why he concluded that the value of the subject property increased by a factor of over 20% in a six month period was because of rapidly rising market conditions, respondent failed to make any time adjustments in the May 2007 appraisal, notwithstanding the fact that two of the three sales he analyzed when developing the sales comparison approach closed more than ten months before the effective date of the appraisal and the third sale closed approximately five months prior to effective date of the appraisal.

Specifically, and without limitation, the Board makes the following findings regarding the three approaches to value that

respondent prepared in the two reports:

- Sales Comparison Approach: The Board finds that respondent selected inappropriate and misleading comparable sales when developing the sales comparison approach in both reports. When preparing the November 2006 appraisal report, respondent analyzed a property sale of a triplex property located at 220 South Rhode Island Avenue, Atlantic City, that closed on July 7, 2006 for \$440,000 (after making adjustments, respondent found an adjusted sales price of the property of \$486,500). When preparing the May 2007 appraisal report, wherein he concluded that the subject property was worth \$100,000 more than it had been worth six months before, respondent selected and analyzed a sale of a triplex beachfront property located at 102 South Raleigh Avenue, Atlantic City, that closed on July 14, 2006 for \$890,000 (after making adjustments, respondent found an adjusted sales price of \$780,000), and he selected and analyzed a sale of a duplex property located at 38 South Delancy Place, Atlantic City, that closed on June 29, 2006 for \$585,000 (after making adjustments, respondent found an adjusted sales price of \$572,000).

Respondent was unable to explain, to the satisfaction of the Board, why he elected to analyze and include the sales at 102 South Raleigh Avenue and at 38 South Delancy Place in his May 2007 appraisal report but not in his November 2006 appraisal report,

given that information regarding both of those sales was available to him at the time that he prepared the November 2006 report. Similarly, respondent was unable to explain, to the satisfaction of the Board, why he did not analyze the sale that occurred at 220 South Rhode Island Avenue in his May 2007 report, given that he had considered that sale when preparing his November 2006 report, and given that respondent instead elected to analyze a sale of a duplex property that closed eight days before the triplex property located at 220 South Rhode Island Avenue was sold.

The Board also finds that respondent failed to adequately explain, or maintain information in his workfile, sufficient to detail or support the basis for adjustments he made in both reports. In particular, the Board found the adjustments that respondent made in his May 2007 report for comparable sale #2 (a beachfront property that sold for \$890,000, on which respondent took a \$80,000 downward adjustment for location and a \$5,000 downward adjustment for ocean view) to be entirely unsupported and inadequate to compensate for differences between the comparable and the subject property.

- Income Approach: The Board finds that, at a minimum, respondent engaged in grossly negligent conduct when preparing the income approach in both reports. Respondent listed subject property rents for Unit 1 to have been \$1400 in November 2006 and \$1500 in May 2007; for Unit 2 to be \$1500 in November 2006 and \$1900 in May

2007; and for Unit 3 to be \$1500 in November 2006 and \$1900 in May 2007. When appearing before the Board, respondent testified that he was supplied with copies of the leases for all three units (both at the time he prepared the November 2006 appraisal and at the time he prepared the May 2007 appraisal), and supplied copies of said "leases" to the Board for inspection. Respondent testified that he secured the leases from the owner of the property (who respondent failed to recognize was also the realtor for the property). Respondent further testified that he verified the information in the leases, both in November 2006 and in May 2007, with the tenants in the subject property.

The Board finds that respondent should have recognized (at the time that he prepared the May 2007 appraisal) that the "leases" he had been provided by the property owner were both facially suspicious and most likely fraudulent. In each case, the leases that respondent was supplied in May 2007 were for one year terms that purportedly began before the one year rental terms specified on the leases that he had been provided when preparing the November 2006 appraisal. Additionally, in each case, the amount of the rent recorded on the leases that respondent secured in May 2007 were for amounts higher than those on the leases he obtained in November 2006. For example, the lease for the 2nd floor Unit that respondent obtained in November 2006 identified tenants as "Marta Sanchez and

Padro Gonzalez," and purported to be for a lease term that began on July 1, 2006 and ended on July 1, 2007 at a monthly rate of \$1500. Thereafter, the lease that respondent obtained for the same unit in May 2007 listed the same tenants but purported to be for a lease term that began two months earlier on May 1, 2006 and ended two months earlier on April 30, 2007, but incredibly purported to be at a monthly rental of \$1900 (26.7% higher than the prior lease). Further, the rental amounts listed on the leases (and in turn reported by respondent in his appraisal reports) were not supported by available information in the MLS listing information concerning the property, as that data instead listed rents of \$900, \$1000 and \$1000 for the three respective units.

The Board also found that respondent grossly overstated the amount of rent that was being paid on the three properties that he analyzed as comparables when developing the income approach (respondent analyzed the same three properties in both reports). The rental amounts that respondent reported were thus not found (within a review appraisal performed for Chase) to have been consistent with available listed information. The Board also found respondent's reporting of significant appreciation, occurring in a six month period, in the amount of rent that was being paid for the comparable properties to not be credible (for example, respondent reported rents on three units in comparable #1 to have been,

respectively, \$1500, 1500 and 1500 in November 2006 and \$1900, 1900 and 1900 in May 2007, and rents on three units in comparable #3 to have been, respectively, \$1400, \$1300 and \$1200 in November 2006 and \$1900, \$2000 and \$1500 in May 2007). While respondent testified that he obtained information regarding the rents for units in each of the comparable properties by having personally gone, both in November 2006 and May 2007 to each property and having spoken with the tenants, respondent maintained no documentation of such conversations, or any other information that might verify the reported rentals, in his workfile, nor has he been able to produce any documentation that would otherwise support the data that he included in either report.

Cost Approach: Respondent developed a cost approach in both reports. In November 2006 he reported that his opinion of the site value was \$269,500. In May 2007, respondent opined that the site value was \$354,000. Respondent failed to maintain any documentation in his work file for either report which would support, or explain, the opinions of site value that were listed, nor any documentation which would support or explain the basis for his opinion that the site value of the property appreciated by over 31% in six months.

Based on the above findings, the Board has concluded that grounds for disciplinary action against respondent exist pursuant to

N.J.S.A. 45:1-21(c), 45:1-21(d) 45:1-21(e) and/or 45:1-21(h). The violations of 45:1-21(e) and (h) are based on the findings made by the Board that respondent failed to ensure that his two appraisals conformed to the requirements of the USPAP in effect on the dates the appraisals were performed, as required pursuant to N.J.A.C. 13:40A-6.1). The parties desiring to resolve this matter without need for further administrative proceedings, and the Board being satisfied that any need that might otherwise exist to conduct further proceedings is obviated by respondent's agreement to the entry of this Order, and being satisfied that good cause exists for the entry of this Order,

IT IS on this 1st day of September, 2011

ORDERED and AGREED:

1. The certification of respondent John G. Rinaldi to practice real estate appraising in the State of New Jersey is hereby suspended for a period of four years, commencing on September 1, 2011. The first two years of the period of suspension - from September 1, 2011 through August 31, 2013, shall be served as a period of active suspension. Respondent shall not engage in any practice of appraising (regardless whether that practice would or would not otherwise require respondent to hold certification) during the period of active suspension, in New Jersey or elsewhere. Provided that respondent complies with all terms and conditions set

forth herein, the remainder of the period of suspension - from September 1, 2013 through August 30, 2015 - shall be stayed and served as a period of "probation." Respondent may resume the practice of real estate appraising as of September 1, 2013 and may continue to practice during the period of "probation."

2. Respondent is hereby assessed a civil penalty in the amount of \$10,000, which penalty may be paid in twelve equal quarterly installments of \$833.33, with the initial payment to be made on or before October 1, 2011, a second payment to be made on or before January 1, 2012, and each succeeding payment to be made quarterly (on or before April 1, 2012, July 1, 2012, etc.), with a final payment to be made on or before July 1, 2014.

3. Respondent is hereby assessed costs of investigation (limited to transcript costs) in the amount of \$748.25, which costs shall be paid in full at the time of entry of this Order.

4. Respondent shall, during the period of active suspension, complete course work acceptable to the Board as follows: a 15 hour USPAP course; a course in basic principles of real estate appraising; and a course in valuing two to four family income producing properties. Respondent shall complete each required course in a classroom setting, and shall be required to secure advance approval from the Board for any course he shall propose to

attend to satisfy the requirements of this paragraph, which approval shall not be unreasonably withheld.

NEW JERSEY STATE REAL ESTATE
APPRAISER BOARD

By: Denise M. Siegel
Denise M. Siegel
Board President

I represent that I have carefully read and considered this Order, and consent to the entry of the Order by the Board.

John G. Rinaldi
John G. Rinaldi

Consent to form and entry of Order.

Alexander J. Rinaldi, Esq.
Alexander J. Rinaldi, Esq.
Counsel for Respondent